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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000989

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SUBJECT: AMBASSADOR'S MEETING WITH PLANNING MINISTER MANGOMA

Classified By: Ambassador Charles A. Ray for reason 1.4 (b) and (d).

¶1. (C) SUMMARY: Ambassador made a courtesy call on Minister for Economic Planning and Investment Promotion Elton Mangoma on December 18. As one of the ministers brought into the government by the Movement for Democratic Change, Mangoma has an important voice on economic policy. He said the medium-term plan now being developed by his ministry would "liberate the economy." Mangoma agreed that political risk was the real obstacle to investment. He gave a positive view on negotiations over implementation of the Global Political Agreement (GPA) but said there was still no compromise on the appointments of the attorney general and central-bank governor. END SUMMARY.

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Medium-Term Plan  
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¶2. (C) In response to Ambassador's query on the GOZ's development of a medium-term plan (MTP) for economic policy, Mangoma said there was a consensus "across the political divide" in support of the economic policies the transitional government had put in place. ZANU-PF ministers had come to accept the necessity of the multi-currency arrangement that was put in place in March. Beyond this, Mangoma said, everyone understood "the country is broke." One purpose of the MTP would be to "liberate the economy from a broke government."

¶3. (C) Mangoma said the MTP would outline policies designed to "open up economic infrastructure to the private sector." There are urgent priorities in the power sector, roads, railways, and water supply. State-owned enterprises in these and other sectors would have to find a way to get by without government support or yield to private enterprises. There would be no subsidies, Mangoma said: "They must stand on their own or fail."

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Investment Climate  
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14. (C) Noting that the transitional government had made great strides on economic policy, Ambassador said policy on paper was not enough. For an economy so entirely dependent on foreign-direct investment (FDI) to rebuild itself, it was essential that the GOZ give investors reasons to have confidence. "Sanctions do not keep investors out of Zimbabwe," Ambassador said, "and investors can manage economic and security risks. What keeps them away is political risk." Mangoma agreed with this, adding "Rule of law is important." He said it would be impossible to change the behavior of everyone in the government, so at times it would be necessary to bring international influence to bear. Mangoma cited the role of the Kimberley Process in bringing more transparency to Zimbabwe's diamond industry. "We have difficulties," Mangoma said, "but we are determined to overcome them."

15. (C) Mangoma said the Zimbabwe's new investment treaty with South Africa was a good example. "Even if it's just a piece of paper, it was a major achievement" to get ZANU-PF ministers to agree to it. "The transition and change we are Qministers to agree to it. "The transition and change we are in are absolutely irreversible," Mangoma said. "It's just a question of the speed" of reforms. "We are capable of doing much more than our history shows."

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GLOBAL POLITICAL AGREEMENT  
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HARARE 00000989 002 OF 002

16. (C) In response to Ambassador's question about the state of negotiations over implementation of the GPA that led to the transitional government, Mangoma said, "I am one of the negotiators, and we are meeting again today. We have agreed on most of the issues, and we should also be able to put a timeline to what we have agreed on." Mangoma added that so far there was no agreement on the appointment of the attorney general and governor of the central bank.

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COMMENT  
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17. (C) Mangoma is a talented politician with a good grasp of what it will take to put Zimbabwe's economy back on the rails. He is not as eloquent or animated as Tendai Biti, his colleague at the Finance Ministry, but he shares with Biti a no-nonsense view of economic policy that is consistent with USG interests. If the transitional government can achieve a little more transition, Mangoma and Biti will be the right ministers in the right places at the right time. END COMMENT.  
RAY